

Message Text

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62

ORIGIN COME-00

INFO OCT-01 ARA-16 ISO-00 EB-11 XMB-07 AID-20 DOTE-00

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P R 182113Z JAN 74

FM SECSTATE WASHDC

TO AMEMBASSY BRASILIA PRIORITY

AMCONSUL RIO DE JANEIRO

INFO AMCONSUL SAO PAULO

AMCONSUL PORTO ALEGRE

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EO 11652: NA

TAGS: BMEP, BR

SUBJ: RAILCARS FOR BRAZIL

REF: RIO 73; PREVIOUS

1. GRIFFIN OF PULLMAN-STANDARD AND SMITH OF MEPD MET YESTERDAY AFTERNOON WITH WALTER MACIEL WHO REPRESENTS PULLMAN'S BRAZILIAN AGENT, FERRAGENS SANTOS. MACIEL REPORTED THAT REDE FERROVIARIA FEDERAL HAS CALLED FOR INTERNATIONAL BIDDING ON SUPPLY 2,000 RAILCARS OF VARIOUS TYPES: 500 COVERED HOPPERS, 900 OPEN HOPPERS, 500 GONDOLAS, 100 REFRIGERATED CARS. BID DEADLINE IS TUESDAY FEB. 13.

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2. WHILE PULLMAN IS PRINCIPALLY INTERESTED IN

ESTABLISHING NEW ASSEMBLY LINE TO SUPPLY BRAZILIANS WITH LARGE NUMBER OF COVERED HOPPER CARS DURING NEXT FEW YEARS, IT HAS DECIDED TO SUBMIT BID ON COVERED HOPPERS AND POSSIBLY OPEN HOPPERS AND GONDOLAS IN ORDER BE RESPONSIVE TO REDE REQUIREMENTS. HOWEVER, FIRM BELIEVES ECONOMICS OF PRODUCTION - PRECLUDE COMPETITIVE PRICE FOR COMPARATIVELY SMALL NUMBER OF COVERED HOPPERS. CONSEQUENTLY, PULLMAN INTENDS PRESENT PROPOSAL WHICH OFFERS SUBSTANTIALLY LOWER UNIT COST FOR CARS IF REDE WILL CONSIDER BUYING GREATER AMOUNT (PREFERABLY 2,000 OR MORE CARS).

3. FYI: BEGIN LOU: PULLMAN'S ORIGINAL UNIT PRICE ON COVERED HOPPERS WAS APPROXIMATELY \$30,000. THIS FIGURE BASED ON FIRM'S ESTIMATE OF PRODUCTION COSTS GEARED TOWARDS DELIVERY LATE IN 1975. HOWEVER, FIRM NOW CONSIDERING OFFERING PRICE BASED ON PRESENT PRODUCTION COSTS WITH PROVISION FOR ESCALATION TIED TO USG INFLATION STATISTICS. MACIEL INDICATED THIS PRACTICE IS STANDARD IN BRAZIL. BELIEVE THIS APPROACH MAY PRODUCE PRICE SOMEWHAT MORE ATTRACTIVE AT PRESENT THAN ORIGINAL OFFER.

4. PULLMAN INTENDS COMPLETE BID IN TIME FOR FEBRUARY 8 OR 9 DELIVERY TO REDE. WE SUGGEST THAT APPROPRIATE REPRESENTATIVE OF EMBASSY AND/OR CONGEN RIO CONSIDER CALLING UPON APPROPRIATE OFFICIALS AT MINISTRY OF TRANSPORTATION AND/OR REDE AFTER BID SUBMISSION TO INDICATE USG INTEREST IN THIS SUBSTANTIAL EXPORT OPPORTUNITY (AND POSSIBILITY OF MUCH GREATER FOLLOW-ON SALES). SINCE PULLMAN APPEARS BE ONLY US FIRM ACTIVELY PURSUING THS BUSINESS, WE SEE NO REASON WHY USG SHOULD NOT SPECIFICALLY SUPPORT COMPANY'S PROPOSAL.

5. PULLMAN'S AGENT INTENDS SUGGEST REDE CONSIDER

SEEKING EXTENSION OF EXISTING EX-IM BANK PRELIMINARY COMMITMENT TO COVER PURCHASE US RAILCARS. WHILE NATURE POSSIBLE FOREIGN COMPETITION UNKNOWN AT THIS LIMITED OFFICIAL USE

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TIME, REDE ACCEPTANCE OF SUGGESTION WOULD HAVE OBVIOUS ADVANTAGES FOR US SUPPLIER. END LOU.

6. MEPD WILL CONTINUE TO MONITOR AND REPORT DEVELOPMENTS HERE, INCLUDING TIMING OF BID SUBMISSION. CONGEN RIO (COMATT TAHER) ALREADY IN CLOSE CONTACT WITH PULLMAN AGENT, SHOULD BE AWARE LOCAL ASPECTS OF BUSINESS. RUSH

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